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Report of the Advisory Committee on Administrative and Budgetary Questions

Addendum

Ninth report: first performance report

1. The Advisory Committee on Administrative and Budgetary Questions has considered the first performance report of the Secretary-General on the programme budget for the biennium 1998–1999 (A/53/693). During its consideration of the report, the Advisory Committee met with the representatives of the Secretary-General, who provided additional information to the Committee.

2. In accordance with the recommendations of the Advisory Committee, endorsed by the General Assembly at its thirty-second session, the performance report identifies adjustments required owing to variations in the rates of inflation and exchange and in standards assumed in the calculation of the initial appropriations. The performance report also takes into account the additional mandates that the General Assembly and the Security Council have approved after the appropriation of the programme budget, unforeseen and extraordinary items that could not be deferred to the second year of the biennium, and decisions of policy-making organs that, in the view of the Secretary-General, are best dealt with in the context of the first performance report.

3. The current estimates of revised requirements under the expenditure sections of the programme budget for the biennium 1998–1999 amount to $2,484,130,300, as indicated in paragraph 5 of the performance report. These provide for a reduction of $48,200,900 compared with the appropriation of $2,532,331,200 approved by the General Assembly in its resolution 52/221 A of 22 December 1997.

4. As can be seen from the table in paragraph 5 of the report, the reduction of $48.2 million in expenditures reflects the combined effect of anticipated reductions of $27.6 million resulting from favourable changes in exchange rates, $11.7 million owing to lower inflation rates than anticipated and $17.0 million attributable to adjustments to standard salary costs. These reductions were somewhat offset by additional requirements of $2.8 million related to commitments authorized under the terms of General Assembly resolution 52/223 of 22 December 1997 on unforeseen and extraordinary expenses and $5.3 million resulting from decisions of policy-making organs after the adoption of the programme budget.

5. Paragraphs 17 to 19 of the performance report provide information on the reduced requirements of $27.6 million resulting from favourable exchange rate fluctuations. As indicated in paragraph 18 of the report, the reduction of $27.6 million reflects the application to 1998 and 1999 of

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the average operational exchange rates experienced from January to November 1998. The Advisory Committee points out that the methodology used by the Secretary-General in recosting of the impact of exchange rates fluctuations is in conformity with the previous recommendation of the Committee that the Administration should use such operational rates of exchange in its recosting exercises as would allow for the lowest estimates. Schedule 3 of the report provides detailed information on the operational rates of exchange in 1998 for all main duty stations. The Committee also notes that, as stated in paragraph 17 of the report, adjustments resulting from actual experience in 1999 will be reflected in the second performance report.

6. As indicated in paragraph 20 of the performance report, the reduced requirements of $11.7 million reflect revised inflation rates and are based on promulgated post adjustment multipliers and the latest available information on consumer price indices. Schedules 1, 2 and 4 of the report contain detailed information on the revised inflation rates for all main duty stations.

7. The reduced requirements of $17.0 million attributable to adjustments to standard salary costs are explained in paragraphs 21 to 24 of the performance report. These requirements reflect a combined effect of reduced requirements of $25.9 million owing to the 1998 realized level of vacancies (10.5 per cent for the Professional category and above and 3.3 per cent for the General Service category), which were somewhat offset by increased requirements of $0.7 million reflecting higher salary average costs than projected, $5.7 million relating to adjustments to the rates of common staff costs in several duty stations and $2.5 million relating mainly to the financial implications of the recommendations and decisions of the International Civil Service Commission.

8. With regard to vacancy rates, the Advisory Committee was not fully satisfied with the explanation provided by the Secretary-General in paragraph 24 of his report and requested a clearer and more comprehensive explanation for the persistent high vacancy rate. The Committee was subsequently given details of various factors that contributed to high vacancy rates, including a combination of the after-effects of the 1996–1997 recruitment freeze (lifted in April 1997) and a lengthy and complicated process for filling vacancies through recruitment and internal procedures. The Committee points out, as it has been doing for years, that unless measures are implemented to greatly simplify and streamline personnel procedures, high vacancy levels will continue, with a consequent impact on mandated programmes. Moreover, the Committee recalls that the General Assembly, in paragraph 23 of section II of its resolution 52/220, reaffirmed that the vacancy rate was a tool for budgetary calculations and should not be used to achieve budgetary savings.

9. The Committee notes from paragraph 24 of the performance report that the increase of the 1998 vacancy factor in the adjustments to standards reflects only vacancies occurring in 1998 and would have no impact on the ability of the United Nations to recruit in 1999 and that initial appropriation vacancy rates of 5 per cent for Professionals and 2.5 per cent for General Service are retained for 1999.

10. Paragraphs 9 to 11 of the performance report deal with additional requirements of $2.8 million resulting from unforeseen and extraordinary expenses that fall under the terms of General Assembly resolution 52/223. Of the total of $2.8 million, an amount of $2.5 million represents commitments certified by the Secretary-General as relating to the maintenance of peace and security, $0.2 million is attributable to commitments certified by the President of the International Court of Justice as relating to unforeseen and extraordinary expenses and $19,900 is attributable to commitments relating to the United Nations share in the financing of interorganizational security measures.

11. An explanation of the estimated requirements of $5.3 million related to decisions of policy-making organs is contained in paragraphs 12 to 16 of the performance report. As can be seen from paragraph 12, the bulk of the estimated requirements of $5.3 million falls under section 3, Peacekeeping operations and special missions ($4.7 million) and is attributable mainly to the United Nations Peace-building Support Office in Liberia ($1.6 million), the Secretary-General's Special Envoy in Africa and the Representative and Regional Humanitarian Adviser of the Secretary-General for the Great Lakes Region ($1.6 million) and the United Nations Office in Burundi ($1.1 million). Annex III to the report contains detailed information on the additional requirements of $4.7 million under section 3, Peacekeeping operations and special missions.

12. At the same time, the Committee points out that some additional requirements, estimated at approximately $47 million, have not been factored into the performance report (see paras. 6 to 8 of the report). These requirements relate mainly to the Secretary-General's revised estimates and statements of programme budget implications to be considered by the General Assembly at its current session, e.g., the United Nations Verification Mission in Guatemala, the Integrated Management Information System, the United Nations/Organization of American States International Civilian Mission in Haiti, and the special missions to Afghanistan and Bougainville. Under the current procedures,

the financing of the above additional requirements will be dealt with separately by the General Assembly before the end of 1998.

13. Paragraphs 26 to 28 of the performance report deal with revised requirements under income sections of the programme budget for the biennium 1998–1999; as can be seen, a decrease of $4.5 million under income section 1, Income from staff assessment, and a decrease of $158,200 under income section 2, General income, are somewhat offset by an increase of $302,400 under income section 3, Services to the public, resulting from the application of revised exchange rates and inflation factors.

14. Subject to its observation in paragraph 12 above, the Advisory Committee recommends approval of the revised requirements of the Secretary-General, namely, $2,484,130,300 under the expenditure sections (see annex I A to the performance report) and $359,287,800 under the income sections, resulting in net revised requirements of $2,124,842,500, which is $43,648,400 less than the initial requirements. The Committee points out that these revised requirements will be adjusted to take into account the decision of the General Assembly on the additional requirements referred to in paragraph 12 above.